United Nations A/53/606/Add.3

General Assembly

Distr.: General
3 December 1998

Original: English

Fifty-third session
Agenda item 91 (c)

Macroeconomic policy questions: commodities

Report of the Second Committee*

Rapporteur: Mr. Uladzimir **Gerus** (Belarus)

I. Introduction

1. The Second Committee held a substantive debate on agenda item 91 (see A/53/606, para. 2). Action on sub-item (c) was taken at the 15th and 42nd meetings, on 16 October and 1 December 1998. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/53/SR.15 and 42).

II. Consideration of draft resolutions A/C.2/53/L.5 and A/C.2/53/L.51

2. At the 15th meeting, on 16 October, the representative of *Indonesia*, on behalf of the States Members of the United Nations that are members of the Group of 77 and *China*, introduced a draft resolution entitled "Commodities" (A/C.2/53/L.5), which read:

"*The General Assembly*,

"*Recalling* its resolutions 45/200 of 21 December 1990, 47/185 of 22 December 1992, 48/214 of 23 December 1993 and 51/169 of 16 December 1996, and stressing the urgent need to ensure their full implementation,

"*Recognizing* that in many developing countries, in particular African countries and least developed countries, the commodity sector remains the principal source of export revenues, the creation of employment, income and savings, as well as a driving force of investment and a contributor to growth and development,

* The report of the Committee on this item will be issued in six parts, under the symbol A/53/606 and Add.1–5.

98-38298 (E) 071298

"*Expressing deep concern* about the negative effects of unfavourable weather conditions on the supply side of commodity-dependent countries, and the effects of the financial crisis on the demand for commodities, as well as the continuing decline of commodity prices, which would adversely affect the economic growth of commodity-dependent countries, especially in Africa,

"*Concerned* about the difficulties experienced by the developing countries in financing and implementing viable diversification programmes and in attaining access to the markets of developed countries,

"*Emphasizing* the necessity for the developing countries, in particular African countries and least developed countries, for a domestic industrial transformation of their commodity sector with a view to enhancing productivity and stabilizing and increasing their export earnings, thus promoting the sustainable economic growth of developing countries in their integration into the global economy,

"*Taking note* of the report of the United Nations Conference on Trade and Development concerning the commodity situation in the context of the global economic environment,[1]

"1. *Notes* the need of the developing countries, in particular the commodity-dependent countries, for stable and more predictable commodity prices at remunerative levels;

"2. *Emphasizes* the need for developing countries that are heavily dependent on primary commodities to continue to promote a domestic policy and an institutional environment that encourage diversification and liberalization of the trade and export sectors and enhance competitiveness;

"3. *Expresses* the urgent need for supportive international policies to improve the functioning of commodity markets through efficient and transparent price formation mechanisms and to help the commodity diversification programmes and liberalization efforts of developing countries, especially African countries, *inter alia*, by providing technical and financial assistance for the preparatory phase of those programmes;

"4. *Urges* producers and consumers of individual commodities to intensify their efforts to reinforce mutual cooperation and assistance;

"5. *Reiterates* the importance of maximizing the contribution of the commodity sector to economic growth and sustainable development in developing countries, especially in commodity-dependent countries and, in this respect, stresses that:

"(a) International support for the efforts of developing countries towards the industrial transformation of their commodities is required to increase their export revenues and to improve their competitiveness with a view to facilitating their integration into the global economy;

"(b) Trade-distorting policies and practices, including tariff peaks and tariff escalations, environmental regulations and other non-tariff barriers, as well as the erosion of trade preferences should be avoided as they have negative effects on the ability of developing countries to diversify their exports and to undertake the required restructuring of their commodity sector while impeding successful measures taken by the commodity-dependent countries;

[1] A/53/319, annex.

"(c) In line with Agenda 21[2] and the Rio Declaration on Environment and Development,[3] Governments should have as their objective to ensure that trade and environmental policies are mutually supportive so as to achieve sustainable development; in so doing, their environmental policies and measures with a potential trade impact should not be used for protectionist purposes;

"(d) Efficient financial cooperation to facilitate the management by commodity-dependent countries of excessive fluctuations in commodity export earnings should be maintained and expanded;

"(e) Technical cooperation in the areas of transfer of new technologies in production processes and training for technical, managerial and commercial staff of developing countries are of paramount importance for quality improvements in the commodity sector;

"(f) Expansion of South-South trade and investment in commodities enhances complementarities and offers opportunities for intersectoral linkages within and among exporting countries;

"(g) There is a need to promote research and development, to provide infrastructure and support services and to encourage investment, including joint ventures in developing countries engaged in the commodity and commodity-processing sectors;

"6. *Reiterates* the need to strengthen the role of the Common Fund for Commodities in cooperation with the International Trade Centre and the United Nations Conference on Trade and Development, especially in directing its commodity development programmes more towards commodity sector diversification projects, as well as in promoting commodity market development in developing countries, with particular focus on the needs of least developed countries, and in exploring effective ways and means of using the resources of the First Account of the Common Fund;

"7. *Requests* the United Nations Conference on Trade and Development to include in its preparation for the upcoming multilateral trade negotiations issues related to commodities, including financing of commodity diversification, for the consideration of the Conference at its tenth session, to be held in Thailand in 2000;

"8. *Requests* the Secretary-General of the United Nations Conference on Trade and Development to report to the General Assembly at its fifty-fifth session on world commodity trends and prospects;

"9. *Decides* to include the question of commodities in the provisional agenda of its fifty-fifth session."

3. At the 42nd meeting, on 1 December, the Vice-Chairman of the Committee, Burak Özügergin (Turkey), introduced a draft resolution entitled "Commodities" (A/C.2/53/L.51), submitted on the basis of informal consultations held on draft resolution A/C.2/53/L.5, and orally revised operative paragraph 6 (c) of the draft resolution by replacing the phrase "the unintended diminution of trade preferences accorded to developing countries" with the phrase "the diminution of differentials accorded by preferred trade regimes".

---

[2] *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3–14 June 1992*, vol. I, *Resolutions Adopted by the Conference* (United Nations publication, Sales No. E.93.I.8 and corrigenda), resolution 1, annex II.

[3] Ibid., annex I.

4. At the same meeting, the representative of Côte d'Ivoire orally corrected operative paragraph 6 (d) of the draft resolution by inserting the words "have as their objectives to" before the word "ensure".

5. At the same meeting, the Committee adopted draft resolution A/C.2/53/L.51, as orally revised and corrected (see para. 7).

6. In the light of the adoption of draft resolution A/C.2/53/L.51, draft resolution A/C.2/53/L.5 was withdrawn by its sponsors.

III. Recommendation of the Second Committee

7. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

Commodities

The General Assembly,

Recalling its resolutions 45/200 of 21 December 1990, 47/185 of 22 December 1992, 48/214 of 23 December 1993 and 51/169 of 16 December 1996, and stressing the urgent need to ensure their full implementation,

Recognizing that in many developing countries, in particular African countries and least developed countries, the commodity sector remains the principal source of export revenues, the creation of employment, income and savings, as well as a driving force of investment and a contributor to growth and development,

Expressing deep concern about the negative effects of recent unfavourable weather conditions on the supply side of commodity-dependent countries and the effects of the financial crisis on the demand for commodities, as well as the continuing decline of commodity prices, which adversely affect the economic growth of commodity-dependent countries, especially in Africa,

Concerned about the difficulties experienced by the developing countries in financing and implementing viable diversification programmes and in attaining access to markets for their commodities,

Emphasizing the necessity for the developing countries, in particular African countries and least developed countries, for a domestic industrial transformation of their commodity production with a view to enhancing productivity and stabilizing and increasing their export earnings, thus promoting the sustainable economic growth of developing countries in their integration into the global economy,

Taking note of the report of the United Nations Conference on Trade and Development on world commodity trends and prospects,[4]

1. *Notes* the need of the developing countries, in particular the commodity-dependent developing countries, for stable and more predictable commodity prices in the face of instability and decline in real terms of the prices of many commodities;

2. *Emphasizes* the need for developing countries that are heavily dependent on primary commodities to continue to promote a domestic policy and an institutional

[4] A/53/319, annex.

environment that encourage diversification and liberalization of the trade and export sectors and enhance competitiveness;

3. *Expresses* the urgent need for supportive international policies to improve the functioning of commodity markets through efficient and transparent price formation mechanisms, including commodity exchanges, and through the use of commodity price risk management instruments;

4. *Urges* developed countries to continue to support the commodity diversification and liberalization efforts of developing countries, especially African countries, in a spirit of common purpose and efficiency, *inter alia*, by providing technical and financial assistance for the preparatory phase of their commodity diversification programmes;

5. *Urges* producers and consumers of individual commodities to intensify their efforts to reinforce mutual cooperation and assistance;

6. *Reiterates* the importance of maximizing the contribution of the commodity sector to economic growth and sustainable development, while continuing with diversification efforts, in developing countries, especially in commodity-dependent countries, and, in this respect, stresses that:

(a) International support for the efforts of developing countries towards the industrial transformation of their commodities is required to increase their export revenues and to improve their competitiveness with a view to facilitating their integration into the global economy;

(b) In the context of the process of trade liberalization, the use of trade-distorting policies and practices, including tariff peaks, tariff escalations and non-tariff barriers, should be minimized as they have negative effects on the ability of developing countries to diversify their exports and to undertake the required restructuring of their commodity sector and as they could also adversely impact liberalization measures undertaken by commodity-dependent developing countries;

(c) In light of the process of multilateral trade liberalization, which has led to the diminution of differentials accorded by preferred trade regimes, there is a need to take measures, as appropriate and consistent with international obligations, to address that diminution, in particular by strengthening technical assistance to and by addressing supply-side constraints faced by commodity-dependent developing countries, in order to improve the competitiveness of their commodity sector and to overcome difficulties encountered in their diversification programmes;

(d) In line with Agenda 21[5] and the Rio Declaration on Environment and Development,[6] Governments should have as their objective to ensure that trade and environmental policies are mutually supportive so as to achieve sustainable development; in so doing, their environmental policies and measures with a potential trade impact should not be used for protectionist purposes;

(e) Effective financial cooperation to facilitate the management by commodity-dependent countries of excessive fluctuations in commodity export earnings should be maintained and further pursued;

---

[5] *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3–14 June 1992*, vol. I, *Resolutions Adopted by the Conference* (United Nations publication, Sales No. E.93.I.8 and corrigenda), resolution 1, annex II.

[6] Ibid., annex I.

(f) Technical cooperation in the areas of transfer of new technologies in production processes and training for technical, managerial and commercial staff of developing countries are of paramount importance for quality improvements in the commodity sector;

(g) Expansion of South-South trade and investment in commodities enhances complementarities and offers opportunities for intersectoral linkages within and among exporting countries;

(h) There is a need to promote research and development, to provide infrastructure and support services and to encourage investment, including joint ventures in developing countries engaged in the commodity and commodity-processing sectors;

7. *Encourages* the Common Fund for Commodities, in cooperation with the International Trade Centre, the United Nations Conference on Trade and Development and other relevant bodies, to direct its commodity development programmes more towards commodity sector diversification projects, as well as to promote commodity market development in developing countries, with particular focus on the needs of least developed countries, and to explore effective ways and means of using the resources of the First Account of the Common Fund;

8. *Invites* the United Nations Conference on Trade and Development, within its mandate, to provide assistance to developing countries in the financing of commodity diversification and to include issues related to commodities in the provision of analytical support and technical assistance to developing countries in their preparation for effective participation in multilateral trade negotiations and in formulating a positive agenda for future trade negotiations;

9. *Also invites* the United Nations Conference on Trade and Development to consider issues related to commodities in the preparation for its tenth session, to be held in Thailand in the year 2000;

10. *Requests* the Secretary-General of the United Nations Conference on Trade and Development to report to the General Assembly at its fifty-fifth session on world commodity trends and prospects;

11. *Decides* to include the question of commodities in the provisional agenda of its fifty-fifth session.